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Nos. 05-608

In the Supreme Court of the United States

MEDIMMUNE, INC.,

Petitioner,

v.

GENENTECH, INC. ET AL.,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF OF *AMICUS CURIAE* GROUP OF LAW PROFESSORS IN SUPPORT OF AFFIRMANCE

DAVID HRICIK
ASSOCIATE PROFESSOR
MERCER UNIVERSITY SCHOOL OF LAW
1021 GEORGIA AVE.
MACON, GA 31201
(478) 301-4154
(478) 301-2259 (FAX)
Counsel of Record

Counsel for Amicus Curiae

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BRIEF *AMICUS CURIAE* OF THE GROUP OF LAW PROFESSORS IN SUPPORT OF AFFIRMANCE

INTEREST OF *AMICUS CURIAE*[1]

Amici are scholars at American law and business schools who teach, write about, or have an interest in patent law. *Amici* have no stake in the outcome of this case, but are interested in ensuring that the law develops in a way that best promotes innovation. A full list of *amici* is appended to the signature page. Both Petitioner and Respondents have consented to the filing of this brief.

SUMMARY OF ARGUMENT

Congress has carefully balanced the need for challenging the validity of patents with the social costs that such challenges entail. Its judgment governs this case. While statutes provide various means to challenge the validity of a patent, no statute authorizes jurisdiction under the facts raised here.

Even assuming that Congress has not addressed this issue, this Court should not allow a licensee in good standing to raise an invalidity challenge in federal court, for at least

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[1] Pursuant to Rule 37.3(a), each party consented to the filing of this brief. Those permissions accompany this brief. Pursuant to Rule 37.6, Counsel of Record certifies that no party's counsel authored this brief in whole or in part. A litigation technology company in Chicago, Illinois, 24 Seven Discovere, donated its services to print and bind this brief. This brief, however, is not submitted on behalf of 24 Seven Discovere, which has not reviewed and does not endorse its content. No other person or entity other than Counsel of Record for *amici curiae* made any monetary contribution to the preparation or submission of this brief.

three reasons. First, such challenges will result in fewer applications for letters patent. Second, it will result in less licensing of those which are sought. Third, it will upset the careful balance struck by this Court in *Lear v. Adkins* and result in a system which increases litigation by reducing the incentive to license.

ARGUMENT

1. Congress Has Established Narrow Specific Means to Challenge Invalidity of Issued Patents Which Petitioner Ignores

At the outset, we concede what is obvious: there is no doubt that invalid patents are socially costly and, consequently, that challenges to patent validity should be encouraged. No doubt recognizing that fact, Congress has established three specific, settled procedures to adjudicate patent validity. In creating those procedures, Congress has balanced the benefits of more and greater invalidity challenges with other competing goals.

We show in this Section that Petitioner's challenge does not fit within any of the three common, express statutory procedures to raise invalidity.[2] Whether a fourth should be permitted is a matter for Congress, not this Court, to determine.

First, Congress has created a procedure to raise invalidity that *any person* can use, and that they can use at *any time*, but the procedure can be used only in the Patent Office (not federal court), and it can be used only to raise certain bases of invalidity. Specifically, Congress has authorized "[a]ny person at any time" to seek reexamination

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[2] Certain grounds of invalidity can be raised in other less common proceedings, such as *inter partes* interference proceedings. *See generally, Rowe v. Dror*, 112 F.3d 473 (Fed. Cir. 1997).

of an issued patent, but only in the Patent Office and only where invalidity is based upon a printed patent or other publication. 35 U.S.C. §§ 301,[3] 302;[4] *see In re Leonardo*, 119 F.3d 960, 965 (Fed. Cir. 1997) (interpreting these statutes).

Reflecting a balancing of costs and benefits, Congress did not allow *all* invalidity grounds to be raised by any member of the public, even in the less expensive, more experienced forum of the Patent Office. Instead, "[t]he legislative history indicates that considerations such as cost and availability of evidence were among the criteria

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[3] Section 301 provides in full:

> Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.

[4] Section 302 provides in full:

> Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Director pursuant to the provisions of section 41 of this title. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Director promptly will send a copy of the request to the owner of record of the patent.

Congress considered in determining the scope of reexamination." *In re Leonardo*, 119 F.3d at 965.

This appeal, however, does not involve a reexamination proceeding. (Petitioner is involved in such a proceeding, but it is not the subject of this appeal.) The basis for invalidity asserted here is not one that a member of the public could raise by way of reexamination, since it does not involve a patent or printed publication. Indeed, it goes much further since the basis for invalidity does not involve a patent or printed publication *and* Petitioner further seeks a declaration that the patent is unenforceable. (Validity and enforceability are independent concepts. *See* 35 U.S.C. § 282.)

Second, Congress has allowed for every basis of invalidity to be litigated in federal court in response to a suit for infringement. Specifically, 35 U.S.C. § 282 authorizes a party sued by a patentee for infringement – and not "any person at any time" – to raise the defense of invalidity.[5] Likewise, the same statute permits a defendant sued for infringement to raise unenforceability as a defense. *Id.* Obviously, this reflects the common sense notion that a party sued for infringement should be able to raise any invalidity or

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[5] In pertinent part, Section 282 provides:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability,
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
>
> (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
>
> (4) Any other fact or act made a defense by this title.

unenforceability defense as a basis for avoiding liability for infringement.

Petitioner has not been sued for infringement, however. Petitioner could not be sued for infringement, since it is a licensee in good standing.

Third, by way of the Declaratory Judgments Act, accused infringers with a reasonable apprehension of being sued for infringement may file declaratory judgment actions to establish that they do not, in fact, infringe a valid patent, or that the patent that hangs over their head is unenforceable. But such declaratory judgment arise from facts with "sufficient immediacy and reality" as to constitute a justiciable "case or controversy." *Maryland Cas. Co. v. Pacific Coal & Oil. Co.*, 312 U.S.270, 273 (1941). Thus, not any member of the public may bring a declaratory judgment seeking a determination of invalidity – only those with a reasonable apprehension of being sued.

Petitioner lacks standing to bring a declaratory judgment, since it has not been threatened with suit. Indeed, Genentech seems to lack any apparent ability to sue Petitioner since Petitioner is a licensee-in-good-standing. Section 282 simply does not authorize any person to bring a claim that a patent is invalid or unenforceable.

Petitioner plainly does not have standing under existing statutes to bring the invalidity and unenforceability claims it raises in this case, either in the Patent Office or in federal court. The existing statutory approach reflects Congress's assessment of the costs and benefits of invalidity and unenforceability determinations. Those statutes limit the scope of *what* any member of the public may raise in the Patent Office, and limits *who* may raise invalidity and unenforceability in federal court.

Petitioner, nonetheless, seeks to create a fourth procedure that goes further than Congress has deemed fit.

Congress has already decided not to permit proceedings like this, not even to members of the public in the Patent Office. It is for Congress to decide whether to allow for broader reexamination proceedings, or to extend standing beyond those authorized to raise the defense under Section 282, or to raise the issues of invalidity or unenforceability when the threat of infringement is not yet concrete and real. Whether to expand the circumstances under which invalidity and unenforceability can be adjudicated turns on a policy assessment of the costs and benefits of doing so, matters that are not best suited for judicial determination.

II. Allowing Licensees-in-Good-Standing to Challenge the Licensed Patent Without Breach Will Lead to Less Innovation

We believe that Congress has already addressed the question presented here, and the current statutes clearly reflect its assessment of whether any member of the public should be allowed to challenge patents. This Court, should, therefore, follow the system enacted by Congress.

We also believe, however, that a rule which precludes patent owners from the benefit of having a license prevent notoriously expensive infringement suits will obviously render patent rights less valuable. The reasons are clear. The amount that a licensee will pay to use an invention will, absent unusual circumstances, be below the amount that an infringer would pay in damages for infringement. *See generally Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1110 (Fed. Cir. 1996) (noting that an infringer should be required to pay more as "reasonable royalty" damages than a willing licensee).

A rule that permits licensees to sue the patent owner without becoming liable for the higher infringement damages obviously will increase likelihood and the amount of litigation, thus decreasing the value of patents. A decrease in value of patents, in turn, will cause fewer applicants to

disclose their inventions to obtain a patent. The fact that the grant of a license will not eliminate litigation with the licensee over invalidity (unless the licensee chooses to pay the higher damages available through infringement) means either (i) the cost of the patent will exceed its value in more circumstances, and so patents will not be sought at the margins; or (ii) a party who has the option of either obtaining patent coverage – thereby disclosing the invention to society – or of maintaining its invention through trade secret protection will, at the margins at least, opt not to obtain patent protection.

Under either option, the harm to society and to the promotion of the Useful Arts is clear: where for either reason an invention is not patented, society does not obtain disclosure of how to make and use the invention because it is not subject to patent. Thus, increasing the number of invalidity suits will decrease the incentive to disclose inventions through the patent system.

Again, while we believe that the costs of that approach outweigh the ostensible benefit of allowing more invalidity suits, whether the incremental benefit of giving licensees-in-good-standing the ability to sue for invalidity outweighs those costs is not a matter for the courts to decide. Congress has already spoken.

III. The Rule Advocated by Petitioner Will Reduce Licensing, a Socially Desirable Activity.

Related to the foregoing, even where the inventor selects patenting, and so the public benefits from disclosure of the invention, allowing licensees-in-good-standing to unilaterally challenge the licensed patent will clearly result in less, and more expensive, patent licensing. The reasons why that is a likely consequence of a rule permitting licensees-in-good-standing to sue are straightforward.

One reason to license, of course, is that it buys peace – particularly where the license is made to conclude litigation, as was the case here. At present, a license buys peace for both parties and on all fronts. Pertinent here, a patent owner who knows, with certainty, that a license will preclude a challenge to the validity of the patent unless the licensee chooses to incur liabilities for infringement, will obviously be willing to charge less for a license, since certainty has value. *See* John W. Schlicher, *A Lear v. Adkins Allegory*, 68 J. Pat. & Trademark Off. Soc'y. 427, 434-36 (1986) (explaining how increased risk of invalidity decreases the utility of licensing and increases its costs).

A rule which permits licensees to bring invalidity suits increases uncertainty to the patentee over a rule that precludes such suits. That uncertainty necessarily will result in one or both of the following: increased license fees or fewer licenses.[6] Both are obviously troublesome consequences of a standing rule. They further can cause reduction in innovation.

We believe that Congress has already balanced these competing issues by denying a right for any member of the public to assert invalidity for any reason – either in the Patent Office or in federal court – and that absent empirical evidence otherwise, its judgment is presumptively correct: the balance struck by permitting anyone to seek

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[6] A rule which permits licensees to sue for invalidity without incurring the risk and costs that otherwise entail infringement will, at minimum, cause licensees to increase license rates to cover the additional costs created by the fact that the revenue stream from the license does not preclude a validity challenge – and loss of the asset – but *does* insulate the licensee from having to pay an amount adequate to compensate for infringement, or for the attorneys' fees incurred. *See* 35 U.S.C. § 284. *See also* 35 U.S.C. § 285 (attorneys' fees may be awarded only in 'exceptional cases' in patent suits).

reexamination coupled with the right of a party with a reasonable apprehension of being sued for infringement is the correct one.

In contrast, the rule advanced by Petitioner would result in increased licensing fees, as noted above, and less licensing. Whether that rule would increase net social good by reducing licensing is a complex question that Congress could certainly choose to address, but it plainly does not lend itself to judicial investigation. *See* Roger D. Blair & Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 Tul. L. Rev. 1323, 1336 (2000) (explaining that "whether the innovation-enhancing effect [of licensing] outweighs the innovation-deterring effect depends on factors that may be difficult to measure and that may fluctuate from one industry to another (and from one time period to another.").

IV. The Rule Proposed by Petitioner Upsets the Balance of *Lear*

Finally, the approach advocated by Petitioner would upset the careful balance of *Lear v. Adkins*, 395 U.S. 653 (1969), which recognized that a licensee who is sued for breaching a license agreement should be permitted to challenge the validity of the licensed patent. *Lear* recognized the inequity of permitting a patentee to claim damages for failing to pay a license without permitting the licensee to deny the validity of the claim. It allows the licensee who is attacked for breaching the license – and who, thus, as an infringer is subject to higher infringement damages and is authorized by 35 U.S.C. § 282 to raise invalidity and unenforceability as defenses – to attack back.

The clearly appropriate balance struck by *Lear* would be upset by Petitioner here. Specifically, it would allow a licensee to use a license both as a shield and sword – insulating the licensee from infringement while permitting it to attack for invalidity – and would completely unarm the

licensor, who could do nothing in response to the suit for invalidity.

Apart from its obvious inequities, this would likely reduce the amount of licensing, since it reduces the advantages that accrue to the licensee, or it would result in increased license fees to account for the fact that the patent owner is not achieving peace. Whether the decrease in licensing nets a social benefit is a question this Court should let Congress determine, but it should not adopt a rule that clearly will result in decreased licensing without a sound jurisdictional, statutory, or precedential basis to do so.

CONCLUSION

We believe this Court should affirm the decision of the Court of Appeals of the Federal Circuit dismissing the complaint for lack of a justiciable case.

Respectfully submitted,

DAVID HRICIK
ASSOCIATE PROFESSOR
MERCER UNIVERSITY SCHOOL OF LAW
1021 GEORGIA AVE.
MACON, GA 31201
(478) 301-4154
(478) 301-2259 (FAX)
Counsel for Amicus Curiae

JULY 24, 2006

LIST OF AMICI

Andrew Beckerman-Rodau
Professor of Law
Co-director IP Concentration
Suffolk University Law School
120 Tremont Street
Boston, MA 02108-4977
617-573-8557

F. Scott Kieff
Associate Professor of Law
School of Law
Washington University
Research Fellow,
Hoover Institution, Stanford University
One Brookings Drive
St. Louis, Missouri 63130
314.935.6400

Jeffrey A. Lefstin
Assistant Professor of Law
University of California, Hastings College of the Law
200 McAllister Street
San Francisco, CA 94102
415.565.4658

Kurt M. Saunders
Chair & Associate Professor
Department of Business Law
California State University
College of Business & Economics
18111 Nordhoff Street
Northridge, CA 91330-8375
(818) 677-4597